

State of Rhode Island  
Department of Administration

# INTER-OFFICE MEMORANDUM

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Office of Accounts and Control

**TO:** Chief Financial Officers  
State Departments and Agencies

**DATE:** September 26, 2002

**FROM:** Lawrence C. Franklin, Jr., State Controller

**SUBJECT: PROCEDURES FOR ERRONEOUS VENDOR PAYMENTS**

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The attached outlines procedures to be followed in order to correct an erroneous vendor payment(s).

RI-SAIL combines several invoices to the same vendor that are charged to the same fund into one payment check. The Office of Accounts and Control will work with the agency that caused the error to correct it following the procedures outlined.

Please contact Pat DeFusco via telephone at 222-6403 or via e-mail him at [PatD@gw.doa.state.ri.us](mailto:PatD@gw.doa.state.ri.us) with any questions concerning this subject matter.

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CFO: 03-22

Department of Administration  
OFFICE OF ACCOUNTS AND CONTROL

**PROCEDURES FOR ERRONEOUS VENDOR PAYMENTS**

**1. BACKGROUND**

Employees and vendors who provide goods and services to the state sometimes receive erroneous payments. The following outlines the various types of errors that can occur and procedures for correcting the accounting record of the transaction in RI-SAIL.

**2. ERRORS AND CORRECTION PROCEDURES**

**2.1 Payee name on payment check is misspelled.**

2.1.1 Payment issued to correct payee, however, the payee's name is spelled incorrectly and the payee cannot cash the check. (All other aspects of the check are correct: accounting is correct, vendor ID is correct and amount is correct.)

2.1.2 Payee will return check to Treasury.

2.1.2.1 Treasury will stamp check "void" and correct the appropriate bank account payee information for this action.

2.1.2.2 Treasury will issue a manual replacement check for the correct spelled name.

**2.2 Accounting is incorrect.** For an invoice(s) that comprise the payment check, an agency posted the transaction to an incorrect account(s). (All other aspects of the check are correct: payee name is correct, vendor ID is correct and amount is correct.)

2.2.1 Agency will submit an adjustment voucher to the Office of Accounts and Control to correct accounting.

2.2.1.1 Office of Accounts and Control will pre-audit adjustment voucher, then post adjustment to correct accounting.

**2.3 Payment amount is incorrect.** (All other aspects of the check are correct: payee name is correct, accounting is correct and vendor ID is correct.) The incorrect amount can be too little or can be too much. The following procedures outline corrections for each situation.

## PROCEDURES FOR ERRONEOUS VENDOR PAYMENT

### 2.3.1 Payment amount is too little (underpayment).

2.3.1.1 The Office of Accounts and Control will notify the agency that underpaid their invoice to start a new, separate transaction for the difference between the underpayment and the correct amount. If the Purchase Order is open, the original invoice number will be entered with a suffix of "C" as a reference. If the Purchase Order is closed, a Direct Pay Invoice will be prepared following the Direct Pay numbering convention with reference to the original paid invoice made on the document.

### 2.3.2 Payment amount is too much (overpayment).

2.3.2.1 Payee refunds overpayment amount to agency.

2.3.2.2 Agency post refund check as an expenditure credit to the fund agency, line item account(s), and natural account(s) originally charged for the payment. If the check to be deposited was payable to a 1099 type vendor, the Book Entry Reduction portion of the Journal Entry must be completed. If the 1099 status of the vendor is in doubt the Book Entry Reduction portion should always be completed.

2.3.2.3 Agency forwards a copy of cash receipt journal entry and a copy of deposit ticket to Treasury for final approval.

2.3.2.4 If the payee returns the original State check to the agency, the procedures outlined in Section 2.6 are to be followed.

### 2.4 **Incorrect General Fund Bank Account selected in error.** (All other aspects of the check(s) are correct: payee name is correct, accounting is correct and vendor ID is correct, amount is correct.)

2.4.1 Check(s) are issued from incorrect bank account

2.4.2 Payee will return check(s) to Treasury.

2.4.3 Treasury will deposit original erroneous check(s) into the non-control disbursement General Fund bank account to fund a replacement check(s).

2.4.4 Treasury will issue a replacement check(s) from the non-control disbursement General Fund bank account.

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- 2.5 **Incorrect handling code selected.** (All other aspects of the check are correct: payee name is correct, accounting is correct and vendor ID is correct, amount is correct.)
- 2.5.1 A payment check is issued in error instead of an electronic fund transfer.
  - 2.5.2 Treasury will communicate internally to process EFT and not print check. If a check has already been printed and has been mailed, EFT will not be made.
  - 2.5.3 An electronic fund transfer is selected in error instead of a payment check.
  - 2.5.4 No corrective action will be taken if Treasury has ABA and bank account data to EFT monies.
  - 2.5.5 If Treasury has no ABA and bank account data to EFT monies, Treasury will issue RI-SAIL check to payee.
- 2.6 **Void complete check and transaction.** (Check and transaction posted in the current fiscal year) The correction procedures as detailed in 2.1 through 2.5 above do not apply and the complete transaction is to be cancelled (for example a duplicate payment).
- 2.6.1 Agency will return original check and copy of voucher to the Accounting Section of the Office of Accounts and Control along with an explanation of the error. The Accounting Section will "void" the check and "cancel" the transaction in RI-SAIL. The Accounting Section will forward the voided check and a copy of the cancelled RI-SAIL document (4IC status) to Treasury. Agency will start the transaction anew if required.
3. **Prior Fiscal Year Returned Vendor Checks.** Vendor checks covering expenditures posted in the prior fiscal year cannot be cancelled. The "effective date" will determine if a transaction is a prior year transaction (for example, a check is returned in July 2002 which has an effective date of 6/30/2002 or earlier is considered a prior fiscal year returned check). **Agencies are to return any prior year returned vendor check(s) along with a copy of the original payment voucher to the Accounting Section for processing.** Those checks will be deposited back into the appropriate State Bank Account and recorded in the following manner:
- 3.1 Checks charging Restricted Fund (source 3), Federal Fund (source 2), Bond Fund (source 7), or Special Fund expenditures are to be treated as expenditure credits and recorded as a Credit to the original Restricted, Federal, Bond, or Special Fund Expenditure Account and a Debit to the appropriate Cash Account.

## PROCEDURES FOR ERRONEOUS VENDOR PAYMENT

- 3.2 Checks paying any General Fund (source 1) expenditures are recorded as a Credit to the Fund Balance Account 1068.10009791.499900.0000 and a Debit to the General Fund Cash Account 1068.83000020.101020.0000.
  - 3.3 The Accounting Section staff will prepare a BuySpeed Journal Entry and bring it to the 4IR status. The Standard Journal Entry Control Number format should be used. If the check to be deposited was payable to a 1099 type vendor, the Book Entry Reduction portion of the Journal Entry must be completed. If the 1099 status of the vendor is in doubt the Book Entry Reduction portion should always be completed.
  - 3.4 The signed copy of the Journal Entry document along with the check to be deposited will be forwarded to Treasury to the attention of Marie Demelo-Olsson. Treasury will then complete the process of depositing the returned check and approving the Journal Entry.
4. **Written Off Checks.** At June 30<sup>th</sup> of each year, Treasury writes off all prior calendar year outstanding checks. Any written off checks cannot be re-deposited. Those checks must be returned to Treasury with instructions as to whether or not a replacement check is due to the vendor. If a replacement check is required, Treasury will prepare a Direct Pay voucher debiting the appropriate Contra Revenue Account.